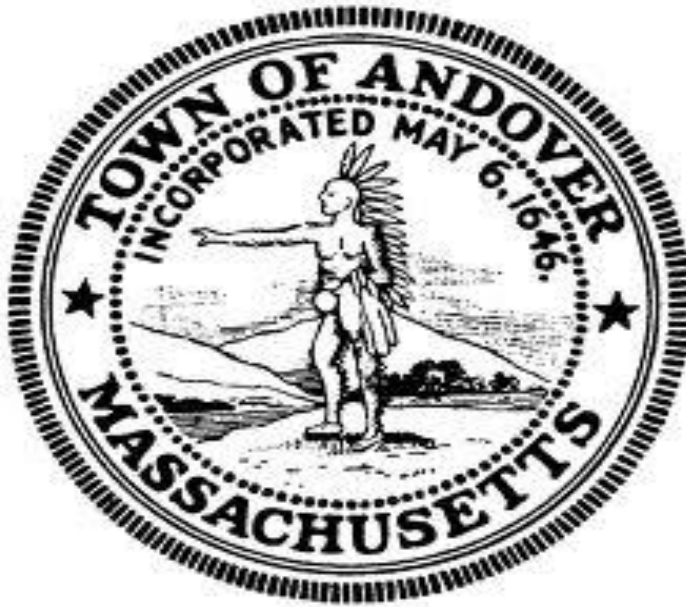


The Town of Andover Employee Health Insurance

September 16, 2013: Tri-Board Meeting



Employee Health Insurance Plan

Discussion Items

- Historical Review
 - MGL 32B
 - Recent plan activity
- Current Program
 - Benchmark information
- Options for Consideration
 - HDHC with HRA
 - RMT's
 - GIC
- All will impact OPEB!

The Town of Andover

- “Eligibility”
 - In accordance with MGL 32B
 - Active employees covered on date of hire
 - Annual open enrollment allows election changes
 - Retirees covered
 - Town retirees continue on Town plans
 - Teacher retirees must elect State GIC plans
- Opt out allows covered members to receive stipend if they can get coverage elsewhere (1 yr program)
- The ACA may impact how the Town treats part time and seasonal employees (ESR eff. 2015)

Recent Plan Activity

FY	Plan Changes	RFP	Initial Renewal	Industry Trend	Final Renewal
2009	Yes – HMO plan co-pays changed for most members: over, in-pat, out-pat, & rx	No (RFP done in 2008)	+12.5%	11.6% - 13.9%	+4% HRA added, FSA program expanded
2009	Yes – Retiree plan co-pays changed: rx	No	+8.15%	6.4% - 10.1%	-12%
2010	Yes – HMO plans consolidated	No	+9.5%	11.6% - 14.3%	+8%
2010	Yes – Future retirees required to enroll in Medicare – Section 18a adopted	No			

Recent Plan Activity

FY	Plan Changes	RFP	Initial Renewal	Industry Trend	Final Renewal
2011	No for HMO, Yes for Indemnity Plans	Yes thru MIIA	+11.4%	12.6% - 15.2%	+6.2%
2011	No for retiree plans	Yes thru MIIA	+6%	6%	-5%
2012	No	No	+6.645	12.6% - 15.2%	+6.64%
2013	Yes, full Section 18 Compliance & 21-23 Adopted – impacted all Medicare retirees	No	0%	7%	-7%

Recent Plan Activity

FY	Plan Changes	RFP	Initial Renewal	Industry Trend	Final Renewal
2014	No	Yes, including RMT's BCBS DTQ THP DTQ HPPHC + 5% (no RMT's) FCHP no response	+0%	6%	+0% with or without RMT's

Re-cap of Current Program

- The Massachusetts Interlocal Insurance Association (MIIA) underwrites the Town's Health Plan
 - Andover pays an “insured” rate to MIIA
 - BCBS is claims administrator & network provider
 - MIIA is a self funded trust (+29,000 subs)
 - 121+ Cities, Towns, School Districts...
 - Trust purchases medical stop loss
 - Each member governmental group rated separately
 - Value proposition
 - Lower costs thru improved trends, wellness, insurance costs

Re-cap of Current Program continued:

- In addition to MGL 32B
 - The ACA & State Laws impact plan
 - Retired Teachers in GIC impact budget
 - GIC rate increase: Pre-surplus increase +8.2% to +11.6% (final +3.1%)
- Most MIIA plan members in HMO (1017 subs)
 - PPO plan option available (33 subs)
 - Seniors have access to Medicare Supplement or Advantage Plans:
Medex (178) and MBS (178)
 - Total subs: 1406
 - MIIA contractual obligation (term on 7/1 only)
 - Town provides HRA & FSA programs
 - Other budget items...

FY2014 work activity details

- July 1, 2013 negotiations with MIIA produced 0% premium renewal rate adjustment.
- Further study of RMT's through GIC suggested “contingent” RFP in spite of 0%.
 - RFP with RMT data sent to market
 - Detailed transferred business information sent to: MIIA (incumbent), BCBS, THP, HPHC, & FCHP
 - Quotes requested with and without the RMT's.

FY2014 work activity details...

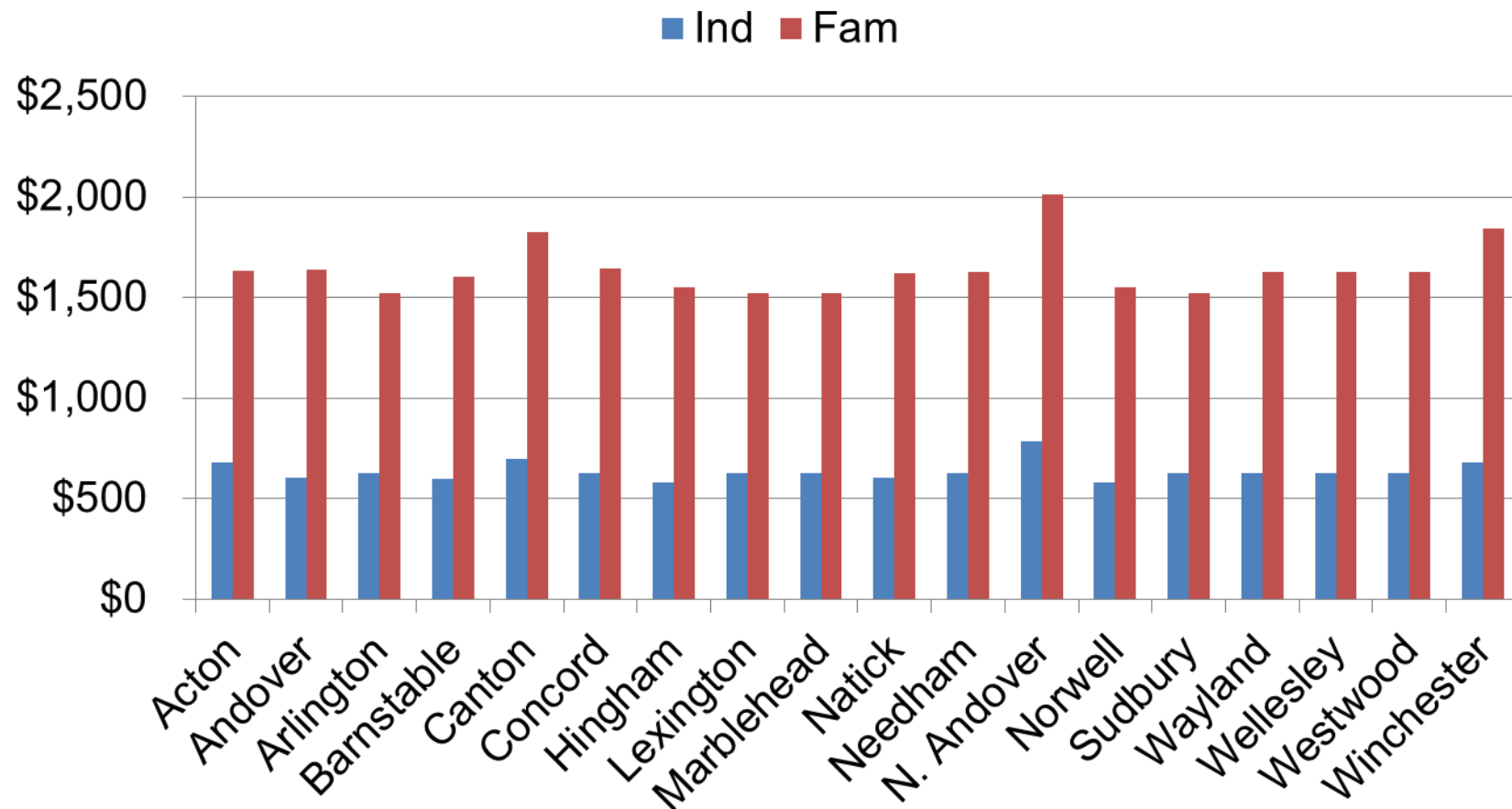
- RFP Results
 - MIIA held 0% offer, with or without addition of RMT's
 - BCBS DTQ – “current rates competitive”
 - THP DTQ – “”projected rates outside of a competitive range”
 - HPHC DTQ with RMT's
 - Offered + 5% without RMT's
 - Fallon informal discussions suggest not competitive

Benchmark Study

- Peer communities were asked what their premium rates were for ind & fam coverage:
 - Active plans – HMO Style
 - THP Navigator Rates used for GIC member groups
 - Hingham and Norwell in Mayflower Health Group JPA
 - Needham, Wayland, Wellesley, and Westwood in West Suburban Health Group

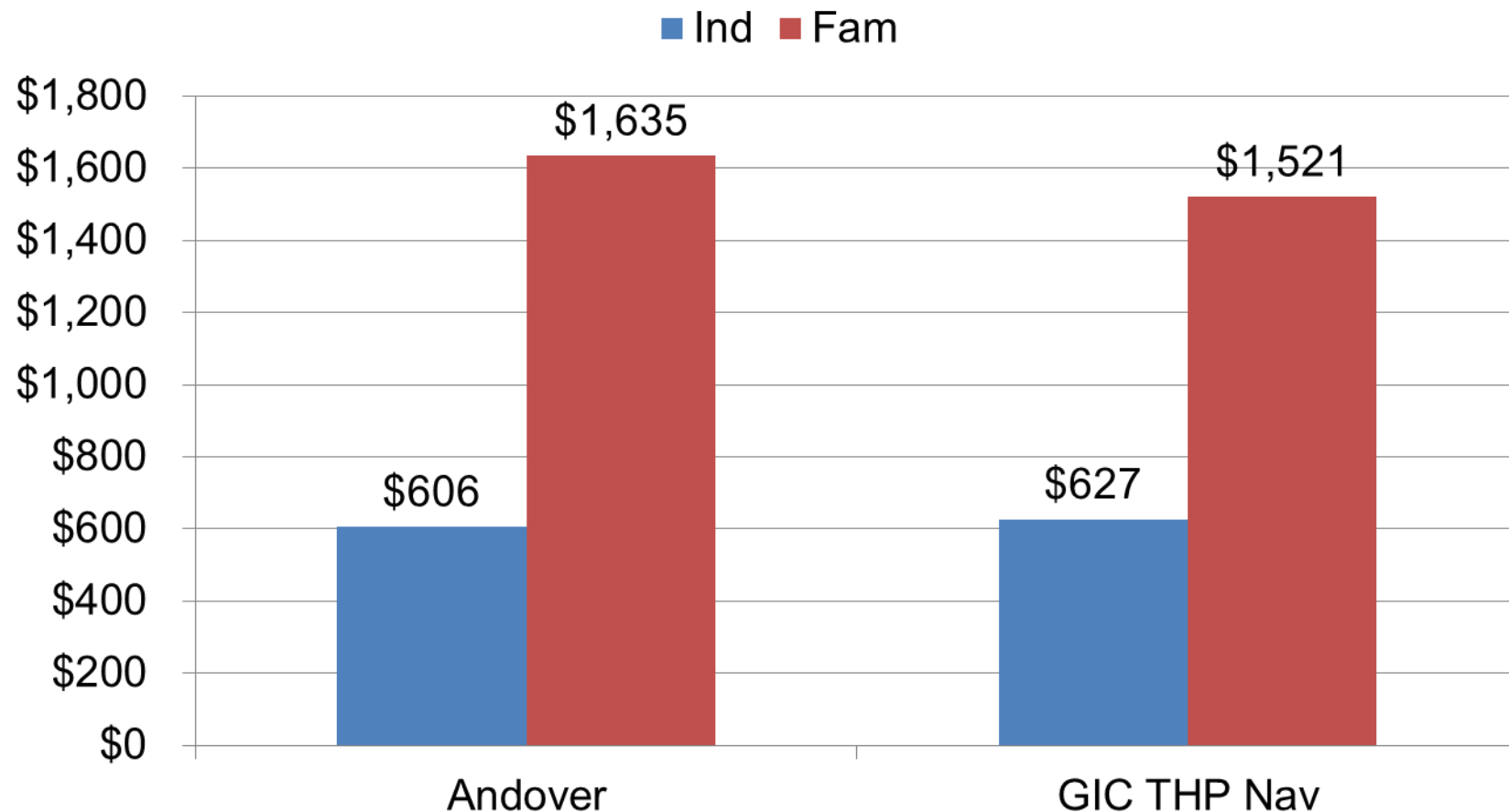
Plan Rates: most populated plans

Arlington, Lexington, Marblehead, Sudbury: In GIC, so THP Navigator PPO Shown



Plan Rates: most populated plans

Andover HMO Blue vs. THP Navigator

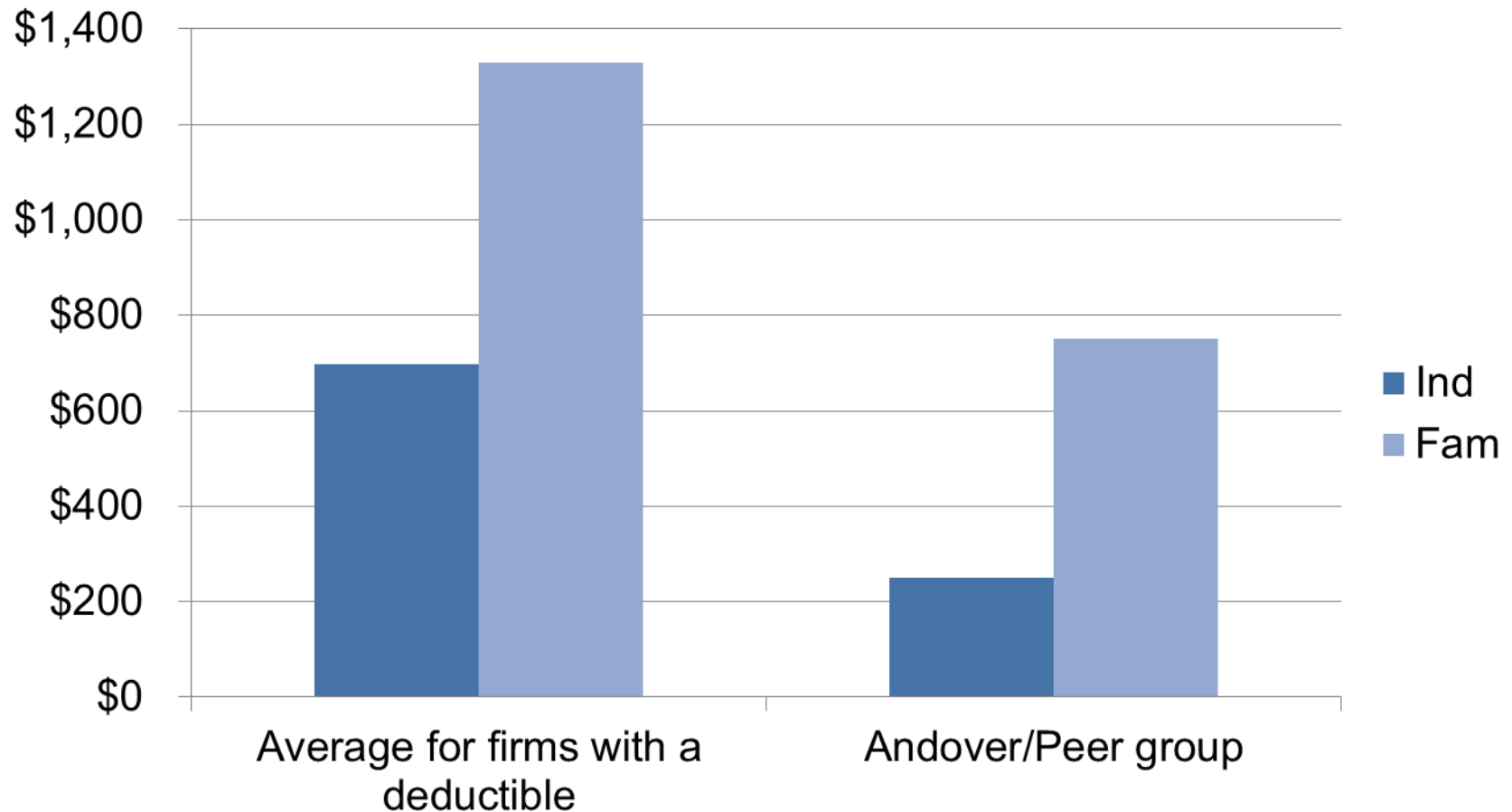


Benchmark Study

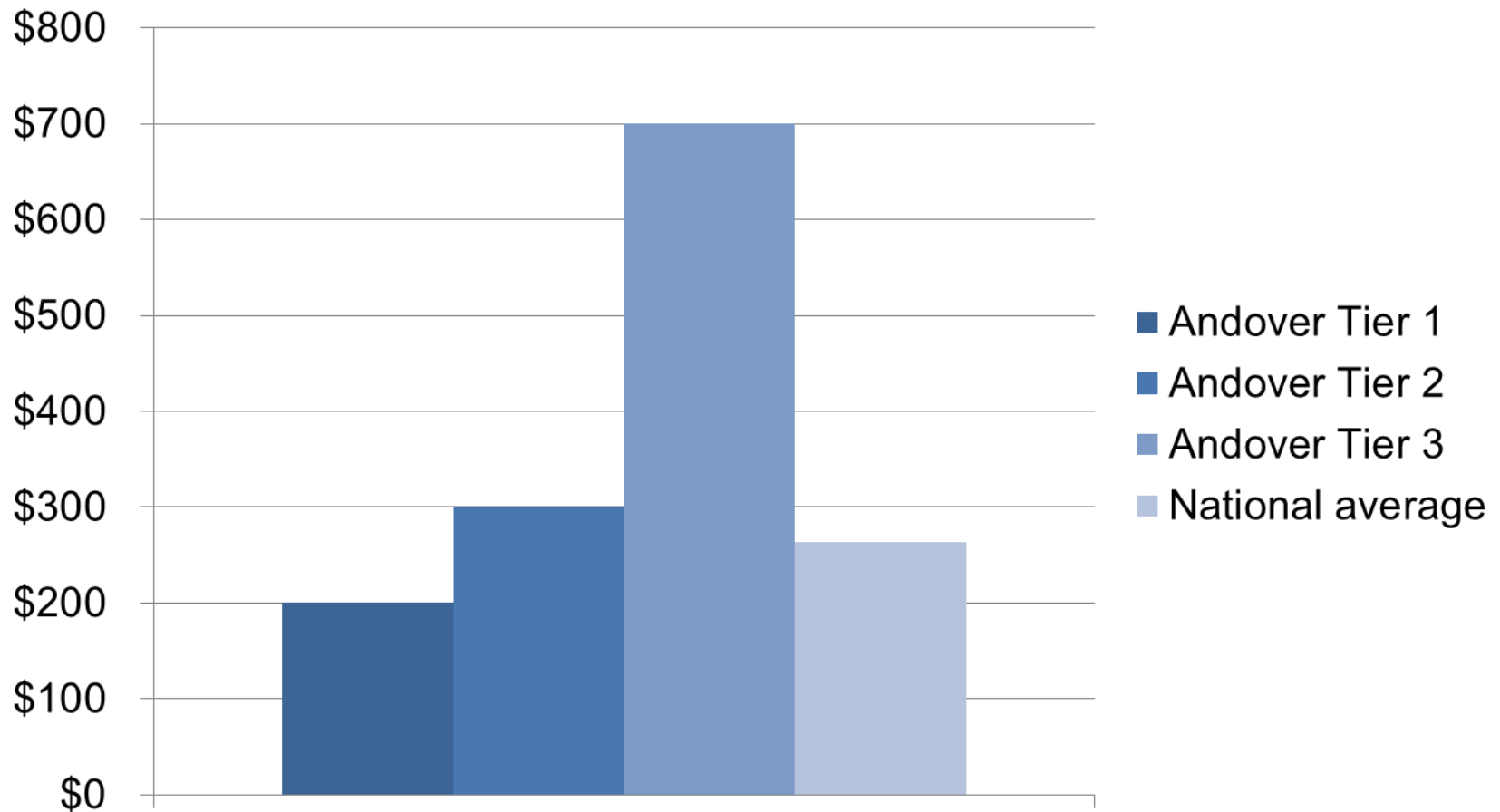
- Peer communities were asked what their plan cost sharing features were including whether or not they included a deductible and/or co-pays...
 - 18 communities responded
 - 10 include a deductible in addition to co-pays
 - 8 include only co-pays
 - All include separate in-patient and out-patient co-pays

	PCP OV	Specialist OV	Deductible	ER Co-pay	Inpatient Copay	Outpatient Co-Pay	Hi-Tech Imaging	RX Co-pay Retail	RX Co-pay MOD
Andover	\$20	\$15/\$20/\$35	\$250/\$750	\$100	\$200/\$300/\$700	\$150	\$100	\$10/\$25/\$50	\$10/\$25/\$50
Acton	\$20	\$35	0	\$100	\$200	\$100	\$100	\$10/\$25/\$40	\$25/\$50/\$80
Arlington	\$20	\$20/\$35/\$45	\$250/\$750	\$100	\$250/\$500	\$150	\$100	\$10/\$25/\$50	\$20/\$50/\$110
Barnstable	\$20	\$35	\$250/\$750	\$100	\$500	\$150	\$100	\$10/\$25/\$50	\$20/\$50/\$110
Canton	\$20	\$35	0	\$100	\$300	\$150	\$100	\$10/\$25/\$50	\$20/\$50/\$100
Concord	\$20	\$35	\$250/\$750	\$100	\$500	\$150	\$100	\$10/\$25/\$50	\$20/\$50/\$110
Duxbury	\$20	\$35	0	\$100	\$250	\$150	\$100	\$10/\$25/\$45	\$20/\$50/\$90
Hingham	\$20	\$20/\$35	\$250/\$750	\$100	\$200/\$300/\$700	\$150	\$100	\$10/\$25/\$50	\$20/\$50/\$110
Lexington	\$20	\$20/\$35/\$45	\$250/\$750	\$100	\$250/\$500	\$150	\$100	\$10/\$25/\$50	\$20/\$50/\$110
Marblehead	\$20	\$20/\$35/\$45	\$250/\$750	\$100	\$250/\$500	\$150	\$100	\$10/\$25/\$50	\$20/\$50/\$110
Natick	\$15	\$45	0	\$75	\$250/\$300/\$500	\$150	\$75	\$15/\$30/\$50	\$30/\$60/\$100
Needham	\$15	\$45	0	\$75	\$250/\$300/\$500	\$150	\$75	\$15/\$30/\$50	\$30/\$60/\$100
Norwell	\$20	\$20/\$35	\$250/\$750	\$100	\$200/\$300/\$700	\$150	\$100	\$10/\$25/\$50	\$20/\$50/\$110
Sudbury	\$20	\$20/\$35/\$45	\$250/\$750	\$100	\$250/\$500	\$150	\$100	\$10/\$25/\$50	\$20/\$50/\$110
Wayland	15/25/45	45	0	75	250/500	150/250	75/150	\$15/\$30/\$50	\$30/\$60/\$100
Wellesley	\$15	\$45	0	\$75	\$250/\$300/\$500	\$150	\$75	\$15/\$30/\$50	\$30/\$60/\$100
Westwood	15/25/45	45	0	75	250/500	150/250	75/150	\$15/\$30/\$50	\$30/\$60/\$100
Winchester	20	25/35/45	250/750	100	200/300/700	150	100	\$10/\$25/\$50	\$20/\$50/\$110
GIC		MHG			WSHG				

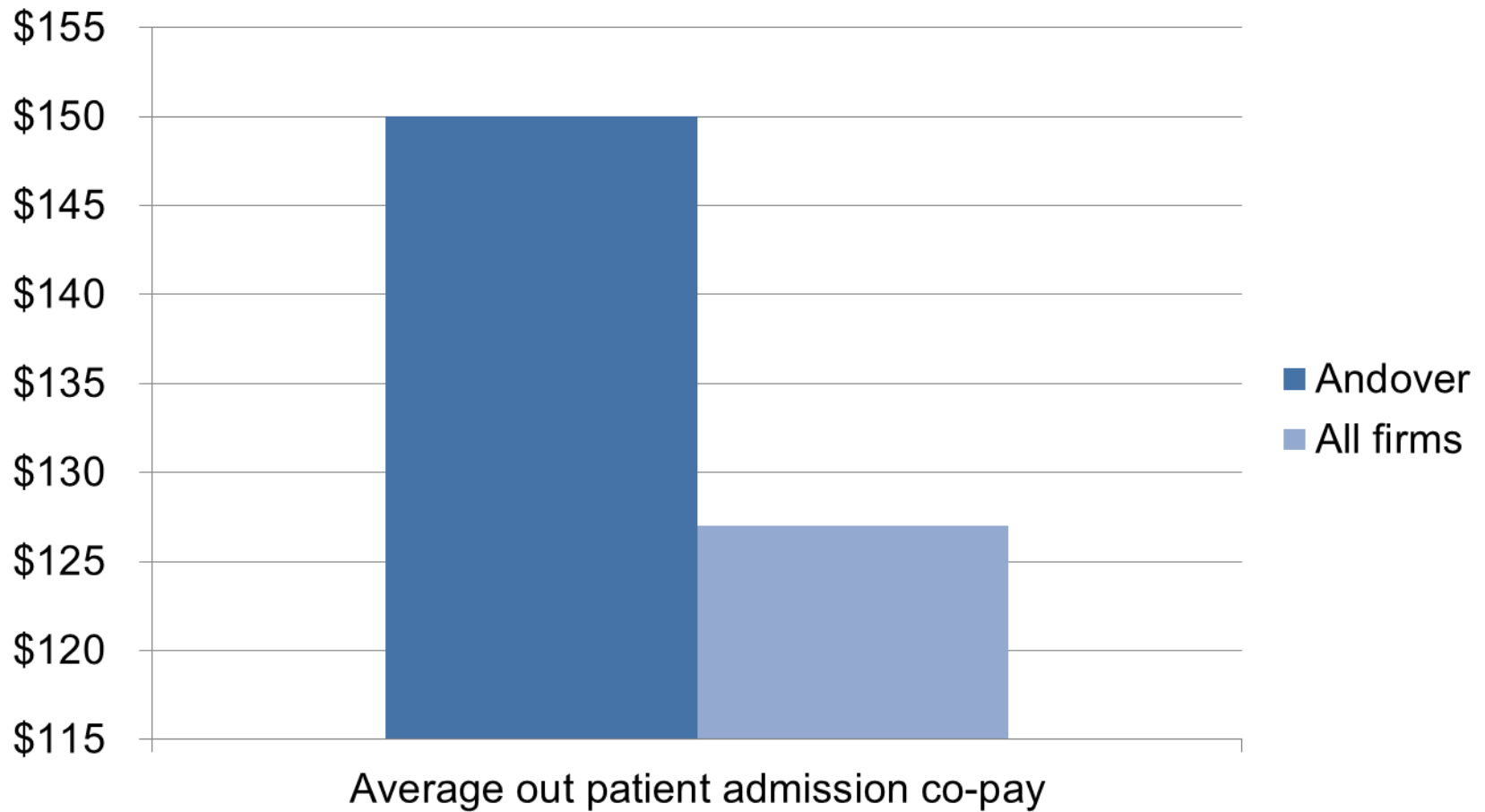
Andover's deductible vs. national/peer groups



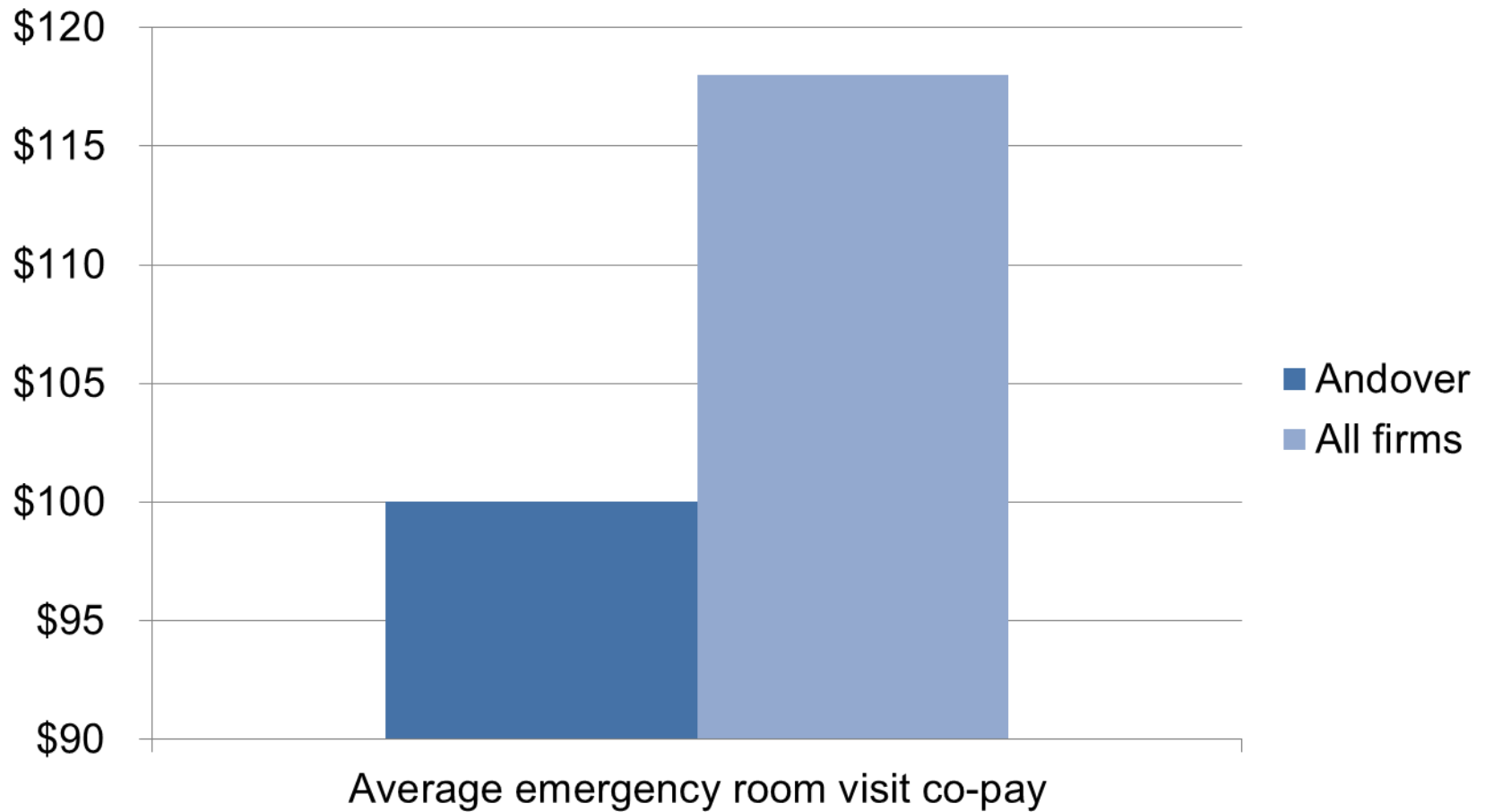
Andover's in patient admission co-pay vs. national groups



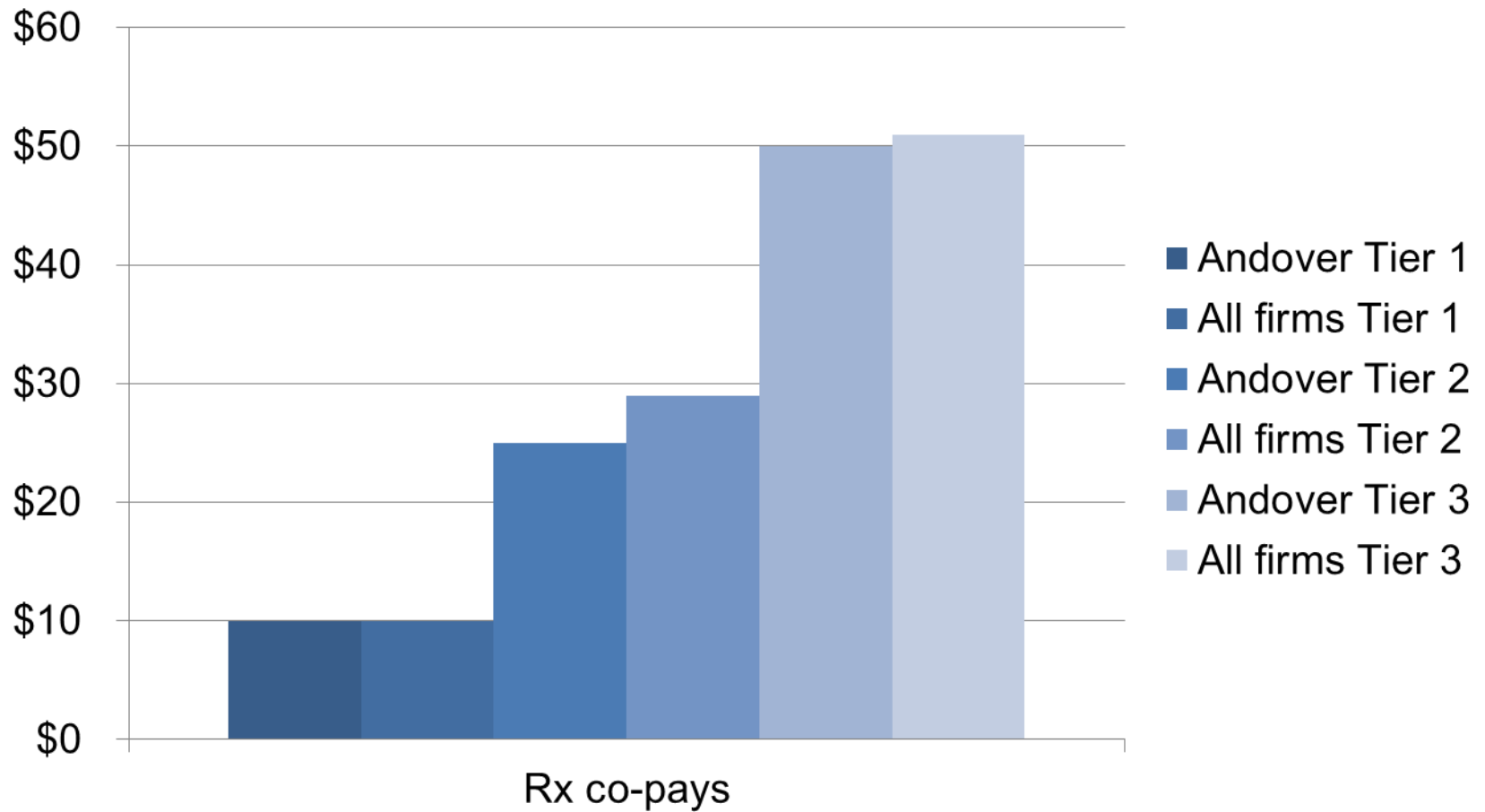
Andover's out patient admission co-pay vs. national groups



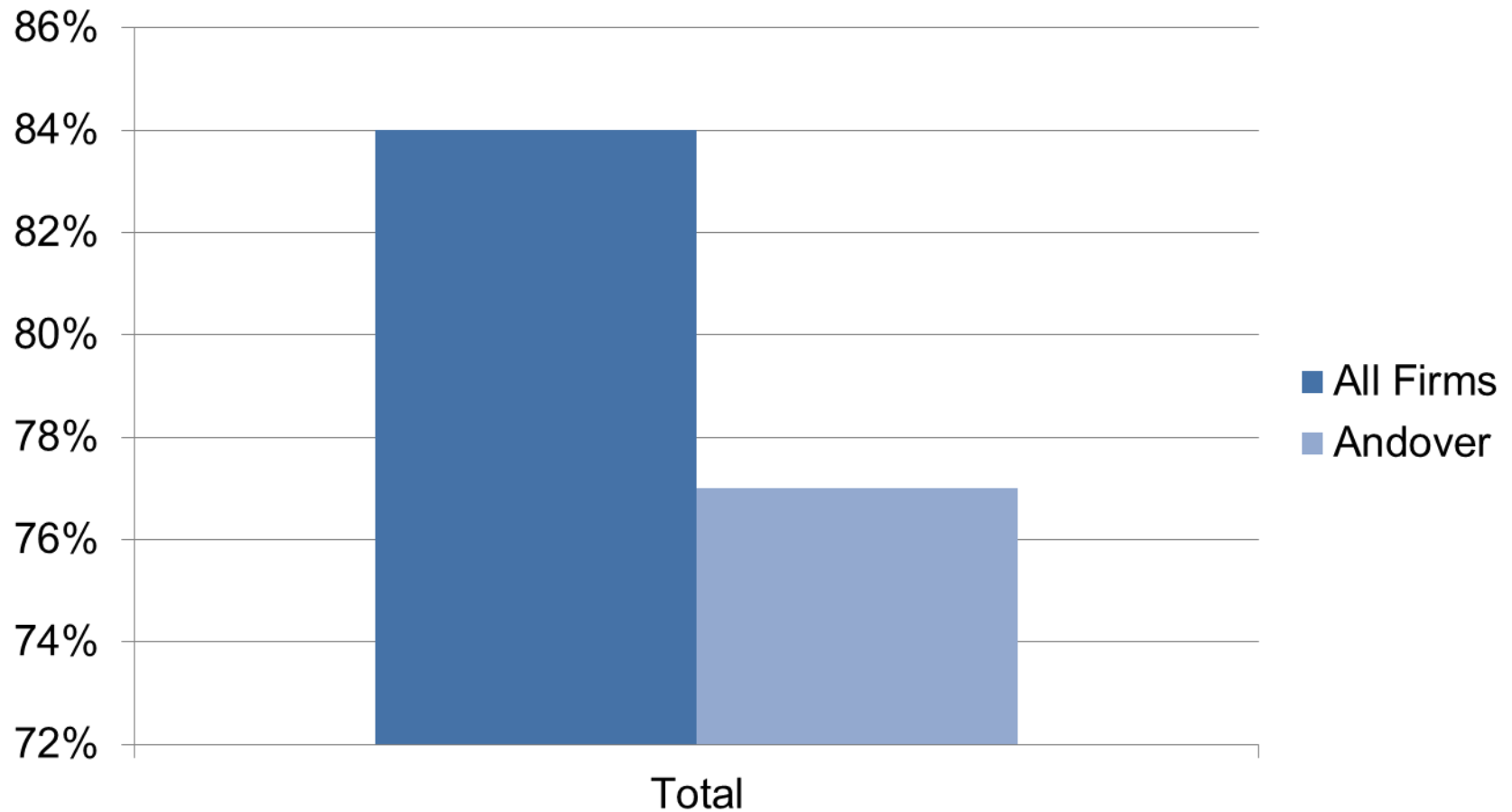
Andover's emergency room visit co-pay vs. national groups



Andover's Rx co-pays vs. national groups



Percentage of workers who participate in their employers plan (take up rate)



Current Annual Premium Costs FY14

Plan/Enr	Town	Member
HMO Blue NE Ind: 349 (81%/19%)	\$5,902	\$1,383
HMO Blue NE Fam: 677 (77%/23%)	\$15,085	\$4,512
Blue Care Elect PPO Ind: 14 (65%/35%)	\$5,942	\$3,200
Blue Care Elect PPO Fam: 16 (65%/35%)	\$15,925	\$8,575
Medex 2*: 173 (65%/35%)	\$2,872	\$1,546
MBS*: 169 (86.3%/13.7%)	\$3,466	\$550

*Note: Senior plans exclude Medicare Part B costs!

Current plans

Covered Service	Current Andover HMO & PPO (in-net)	Medex/MBS
Physician OV co-pay	\$20	\$0/\$10
Specialist OV	\$20/\$35	\$0/\$10
Ded	\$250/\$750	n/a
In-pat	\$300/\$700 after ded	Covered in full
Out-pat	\$150 after ded	Covered in full
ER co-pay	\$100 after ded	\$0/\$50
Hi-Tech Imaging	\$100 after ded	Covered in full
Testing x-ray & lab	in full after ded	Covered in full
Rx: 30 day retail 90 day MOD Gen/PB/NPB	\$10/\$25/\$50 ret & MOD	\$5/\$10/\$25 ret \$15/\$30/\$75 MOD

The Town of Andover

- Communities have three options available when considering changing their healthcare options (including changing carriers)
 - Negotiate with each individual union in accordance with M.G.L. 150e
 - Accept coalition bargaining under § 19 of M.G. L. 32B
 - Invoke § 21(a) – which Andover BOS did in January 2012
 - Created a Section 21-23 PEC

The Town of Andover

- Current PEC 3 Year Agreement
 - Agreement effective FY13 thru FY15
 - PEC and Town effectively bargain the use of mitigation funds created by premium savings
 - Member co-pays reimbursable
 - In-patient, out-patient, Hi-tech imaging
 - Allowance towards member deductibles
 - Retiree stipend payment (no changes to retiree contributions until July 2015)
 - Town will provide “Navigator Style” plans

The Town of Andover

- Health Care Plan Considerations
- Active & Non-Medicare Retirees
 - Move to High Deductible plans
 - Include formal educational meetings
 - Provide FAQ's mailings
 - Focus on 2014 for training
- Set up HRA program based on “wellness initiatives”
- Acquire RMT's from GIC!
 - BOS will need to address process
- Support OPEB Commission Reform

HMO Plan Design: Core co-pays

Covered Service	Sample Deductible Style Plan
Physician office visit	\$20 co-pay (\$0 for well care)
Specialist office visit	\$35 co-pay (incl chiro)
In-pat, Out-pat surg, testing, imaging, ER	\$1,000 ind & \$2,000 fam deductible, then covered in full
30 day retail Rx: Generic Preferred Brand Non-Preferred Brand	 \$15 co-pay \$30 co-pay \$50 co-pay
90 day MOD Rx: Generic Preferred Brand Non-Preferred Brand	 \$30 co-pay \$60 co-pay \$150 co-pay

Sample HRA Incentive Program

- \$ for completing on-line questionnaire
- \$ for working with a health coach
- \$ for completing on-line programs
- Sum of incentives = \$500 towards ind deductible amount i.e.
- Formal RFP will include Wellness and HRA initiatives
- Continue opt-out program

Move Retired Teachers Insurance to Town plans

- **School teachers receive retiree health insurance through the GIC**
 - Part of MGL Ch. 32b, section 11e (local option)
- **State controls pricing & plan design**
- **Initial review shows overall cost savings potential**
 - “Winners & Losers”
- **Member cost & plan design impacts**
 - 287 Medicare retirees
 - 122 non-Medicare retirees (85 ind & 37 fam)
- **In-state vs. Out-of-state = 55%/45%**

Retired Teachers Insurance

- GIC plan options for Non-Medicare Retirees
 - Fallon Community Health Plan
 - Health New England
 - Neighborhood Health Plan
 - UniCare State Indemnity Plan
- THP Navigator, HPHC Independence or other limited network plans are not an option!

Retired Teachers Insurance

- GIC plan options for Medicare Retirees
 - Fallon Community Health Plan
 - HPHC Medicare Enhance (Medicare Sup) Only
 - Health New England
 - THP Medicare HMO/Supplement Plans Only
 - UniCare State Indemnity Plan

Town Retiree Insurance

- MIIA Plan Options for:
- Medicare Retirees
 - Medex 2 (Medicare Sup)
 - Managed Blue for Seniors (HMO Style)
- Non-Medicare Retirees
 - HMO Blue Benchmark Plan (HMO Style)
 - Blue Care Elect Preferred Benchmark Plan (PPO Style – Indem)

GIC FY14 Cost & Enrollment: Non-Medicare

	Retired prior to July 1, 1990:10%/90%			Retired after July 1, 1990: 15%/85%		
GIC Health Plan	RMT Pays Monthly I/F	Town Pays Monthly I/F	#	RMT Pays Monthly I/F	Town Pays Monthly I/F	#
FCHP Dir	\$46.94 \$112.66	\$422.49 \$1,013.97		\$70.41 \$168.99	\$399.02 \$957.64	1
FCHP Sel	\$59.05 \$141.72	\$531.45 \$1,275.47		\$88.58 \$212.58	\$501.93 \$1,204.61	4 2
NHP	\$45.56 \$120.74	\$410.07 \$1,086.67		\$68.34 \$181.11	\$387.29 \$1,026.30	3 2
UniCare w/ CIC	\$114.66 \$277.53	\$733.65 \$1,580.73	4	\$154.78 \$373.85	\$693.53 \$1,665.31	72 32
UniCare w/o CIC	\$72.24 \$172.64	\$658.15 \$1,580.73		\$112.36 \$268.96	\$690.03 \$1,657.41	1 1

GIC FY14 Cost & Enrollment: Medicare

	Retired prior to July 1, 1990:10%/90%			Retired after July 1, 1990: 15%/85%		
GIC Health Plan	RMT Pays Monthly	Town Pays Monthly	#	RMT Pays Monthly	Town Pays Monthly	#
HPHC En	\$39.32	\$353.90		\$58.98	\$334.24	4
THP MC	\$38.40	\$345.60		\$57.60	\$326.40	1
UniCare w/ CIC	\$42.88	\$317.75	52	\$60.31	\$300.32	227

Town of Andover Plans: FY14

MIIA Health Plan	Retiree Pays Monthly	Town Pays Monthly
MBS (Medicare retiree)	\$45.85	\$288.84
Medex (Medicare retiree)	\$128.85	\$239.30
HMO Blue (Non-Medicare retiree) Individual	\$114.43	\$491.03
HMO Blue (Non-Medicare retiree) Family	\$377.04	\$1,255.15
BC Elect PPO (Non-Medicare retiree) Individual	\$266.24	\$494.45
BC Elect PPO (Non-Medicare retiree) Family	\$713.49	\$1,325.05

Town plan election assumptions:

Non Medicare Plans

GIC Plan	#	Town MIIA Plan Option – Selection based on in-state or out of state
FCHP Direct or Select Or NHP	12	All 12 in HMO plans, so HMO Blue likely option
Unicare Indemnity w/CIC or w/o CIC	110	41 reside out of state: Blue Care Elect PPO is only option 69 reside in-state: so HMO Blue likely option

Town plan election assumptions:

Medicare Plans

GIC Plan	#	Town MIIA Plan Option – Selection based on in-state or out of state
HPHC Enhance	4	All 4 reside out of state: Medex is only option
THP Medicare Compliment	1	Member resides in-state: option of MBS or Medex
Unicare Indemnity w/CIC or w/o CIC	282	110 reside out of state: Medex is only option 172 reside in-state: option of MBS or Medex

Summary: Current GIC Town & Member monthly cost

	Total Premium	Members	Town
Current GIC Medicare Retirees: 287 enrollees	\$103,618	\$16,310	\$87,308
Current GIC Non-Medicare Retirees: 122 enrollees	\$141,901	\$25,364	\$116,537
Grand totals:	\$245,519	\$41,674	\$203,845
FY 14 Cherry Sheet subsidy estimate (\$274,000)	(\$22,800)	Included in rate	(\$22,800)
Final estimated monthly cost	\$222,719	\$41,674	\$181,045

Summary: Estimated Town & Member monthly cost – based on assumed enrollments into Town plans

	Total Premium	Members	Town
Medicare Retirees: 114 elect Medex 173 elect MBS	\$99,870	\$22,622	\$77,248
Non-Medicare Retirees: 56 elect HMO Blue Ind 25 elect HMO Blue Fam 29 elect BC Elect Ind 12 elect BC Elect Fam	\$121,233	\$32,117	\$89,116
Grand totals:	\$221,103	\$54,739	\$166,364

Medicare Retiree Plan Comparison

Covered Service	Medex/MBS	GIC Plans
Physician OV co-pay	\$0/\$10	\$10 or \$35 ded
Specialist OV	\$0/\$10	\$10 pr \$35 ded
Ded	n/a	n/a
In-pat	Covered in full	Covered in full or \$50 co-pay
Out-pat	Covered in full	Covered in full
ER co-pay	\$0/\$50	\$25 or \$50
Testing x-ray & lab	Covered in full	Covered in full
Rx: 30 day retail 90 day MOD Gen/PB/NPB	\$5/\$10/\$25 ret \$15/\$30/\$75 MOD	\$10/\$25/\$50 ret \$20/\$50/\$110 MOD

Non-Medicare Retiree Plan Comparison: 122 enrollees

Covered Service	Current Andover HMO & PPO (in-net)	GIC Plans
Physician OV co-pay	\$20	\$20
Specialist OV	\$20/\$35	\$20/\$35/\$45
Ded	\$250/\$750	\$250/\$750
In-pat	\$300/\$700 after ded	\$250/\$500/\$700 after ded
Out-pat	\$150 after ded	\$150 after ded
ER co-pay	\$100 after ded	\$100 after ded
Hi-Tech Imaging	\$100 after ded	\$100 after ded
Testing x-ray & lab	in full after ded	\$100 after ded
Rx: 30 day retail 90 day MOD Gen/PB/NPB	\$10/\$25/\$50 ret & MOD	\$10/\$25/\$50 ret \$20/\$50/\$110 MOD

Next Steps

- **Recommend meet with Boards to present findings and discuss RMT process**
- **Complete RFP**
 - **With and without RMT demographic**

Section 23 (GIC option): A closer look!

- Section 21a-23 Proposal
 - GIC enrollment assumptions required to determine if there are any savings:
 - Most populated plans
 - THP Navigator, HPHC Independence, Unicare Indemnity (retirees)
 - Municipal GIC member elections
 - THP Navigator, HPHC Independence, Unicare Indemnity
 - Developing estimates are problematic and may prove unreliable!
 - Network plan options (limited networks) may create selection issues!
 - Town at risk for committed Mitigation Funds if actual savings not be realized (actual elections occur after agreement)

GIC Option

- Recommend work with PEC to educate members on GIC option
- Complete employee survey regarding “possible” plan selection before GIC consideration!
- Mitigation fund will reduce Town savings, if any.
- Transitional issues will likely create supplemental costs!